Journal of Urban Affairs

Routledge
Taylor & Francis Group

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/ujua20

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JOURNAL OF URBAN AFFAIRS
2020, VOL. 42, NO. 8, 1278–1298
https://doi.org/10.1080/07352166.2019.1629819

The urban dimension of Chinese infrastructure finance in Africa: A case of the Kotokuraba Market Project, Cape Coast, Ghana

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ABSTRACT
For many years, Chinese infrastructure finance has been secured by African governments to provide infrastructure of national significance, while cities continue to lack fiscal tools for the provision of large-scale urban infrastructure. This article not only demonstrates that Chinese infrastructure finance is being extended to municipal authorities in Africa to undertake critical urban infrastructure but also scrutinizes the urban dynamics and local impact of using Chinese infrastructure finance for urban regeneration. Through empirical scrutiny of the regeneration of Kotokuraba Market in Cape Coast, Ghana, findings reveal that municipal authorities, like national governments, are subjected to political and embedded conditionalities. However, the conventional resource-backed repayment conditionality characteristic of Chinese-funded national projects differs from the project finance model—relying on the project's cash flow for repayment—adopted in Cape Coast. We found in Cape Coast a locally-driven emphasis on affordable rents that stands in stark contrast to the practice of project finance, resulting in potential default of the Chinese loan. The wider consequences of this disjuncture for urban development, financing and governance in Cape Coast, Ghana, and Africa are discussed.

Introduction

African countries are generally believed to be confronted with large backlogs of urban infrastructure, spanning sectors such as commerce, transport, sanitation, housing, water and electricity among many others (Collier & Venables, 2016; Korah & Cobbinah, 2016; Obeng-Atuah, Poku-Boansi, & Cobbinah, 2017; Obeng-Odoom, 2009; Odoom, 2017), although there are variations among sectors, cities and countries (Foster & Briceno-Garmendia, 2010). It is argued that "the cost of addressing Africa's infrastructure needs is around US$93 billion a year" (Foster & Briceno-Garmendia, 2010, p. 1). Consequently, Africa ranks at the bottom of all continents in nearly all dimensions of infrastructure performance (Alves, 2013; World Bank, 2017), prompting African leaders to call on Western and Chinese development agencies as well as private investors for support in this sphere (Foster, Butterfield, Chen, & Pushak, 2009). Notably, in many African countries, cities have the largest infrastructure needs because the number of people living in conurbations has surpassed the number of people living in rural areas (Collier & Venables, 2016). According to Couch and Fraser (2003), the solution to Africa's high urban infrastructural deficit can be found in urban regeneration. It has been emphasized that investment in infrastructure, through urban regeneration, could become a strategic tool for economic development and poverty reduction in Africa (World Bank, 2017). Hence, some scholars argue that Africa should prioritize urban regeneration in its domestic policy, through smart and innovative solutions (Collier & Venables, 2016), otherwise the continent risks lagging behind other regions in all aspects of societal advancement. Furthermore, the United Nations requires that "strategic

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public investments [in urban regeneration] must go hand in hand with strategic financial mechanisms and supporting governance systems" (UN-Habitat, 2015, p. 4).

As a consequence of decentralization, dating as far back as the colonial era, the responsibility for the provision of key urban services and infrastructure has—theoretically, i.e. legally—been transferred to municipal authorities (Pachai, 1965; Resnick, 2014). Yet, municipal authorities in Africa, according to Collier and Venables (2016), have not adequately invested in urban infrastructure due to inadequate fiscal resources and financing tools. They "face the near-impossible task of funding the infrastructure and services required to meet the basic needs of their growing urban population, while forward-looking capital investments are not possible for financial reasons" (UN-Habitat, 2015, p. 4). Scholarly discussion on municipal financing in Africa suggests that the fundamental problem is not just inadequate financial resources, but even more so the lack of funding for large-scale urban infrastructural projects.

Studies show that the majority of municipal authorities in Africa have not been able to take advantage of emerging forms of large-scale infrastructural financing, such as municipal bonds and public-private partnerships, because of undeveloped capital markets and lack of necessary regulatory structures to bolster the confidence of private investors (Akintoye, 2009; Gorelick, 2018; Odoom, 2017; Oji, 2015). Municipal authorities also lack control over their fiscal management, and capacity to use innovative financing mechanisms (Amirtahmasebi, Orloff, Wahba, & Altman, 2015). It is also argued that while property taxation is the single largest contributor to the internally-generated funds of municipal authorities in Africa (Mabe & Kuusaana, 2016; UN-Habitat, 2010), it is characterized by several shortcomings. Problems such as inadequate logistics to support effective revenue mobilization, low rates of tax collection, under-declaring of revenues by revenue collectors, political interference, and corruption, among many others, have limited the ability of many municipal authorities in Africa to provide huge urban infrastructure (Adu-Gyamfi, 2014; Fjelstad, Henjewele, Mwambe, Ngalewa, & Nygaard, 2004; Kelly, 2000; Puopiel & Chimsi, 2015). What is more, property owners refuse to pay property taxes due to the inability of municipal authorities to provide basic urban infrastructure and services (Boamah & Okrah, 2016). Consequently, many municipal authorities in Africa not only perform poorly in respect of property taxation, but are also consistently unable to meet their revenue targets—thus widening the fiscal gap and increasing demand for urban infrastructure (Puopiel & Chimsi, 2015; UN-Habitat, 2015).

Due to the poor performance of many municipal authorities in Africa, they have become heavily dependent on budgetary allocation schemes from their central governments in order to combat the pernicious effects of serious urban problems across their physical, economic, social and environmental manifestations (Boamah & Okrah, 2016; Kessey, 2001; Leary & McCarthy, 2013; UN-Habitat, 2010). The Western conception of good governance suggests that the reason for poor performance is rooted in the supposition that most central government budgetary allocation schemes in Africa are not performance-based, thus discouraging, rather than encouraging, municipal authorities from generating their own funds for the provision of urban infrastructure (Mogues & Benin, 2012; Renard, 2011). It is in accordance with this school of thought that we have recently witnessed the emergence of performance-based grant systems in some African countries. For example, in 2008, the Government of Ghana in collaboration with its development partners (Canadian Development Agency, French Development Agency, Danish Development Agency and the German Development Agency) introduced the District Development Facility (DDF) and, later in 2011, the World Bank's Urban Development Grant (UDG), to enhance the capacity of municipal authorities to finance development projects in the social, economic and environmental sectors (Akudugu, 2013; Braimah & Inkoom, 2016; Zakaria, 2014). Unlike the traditional schemes, allocation under the DDF and UDG is determined by performance, after annual assessment of each municipal authority conducted through the Functional and Organizational Assessment Tool (FOAT). The FOAT consists of the minimum conditions that municipal authorities must fulfill in order to qualify for the DDF and UDG (Braimah & Inkoom, 2016; Zakaria, 2013). Nevertheless, it is also instructive to note that funds from the performance-based DDF and UDG are only able to support the provision of minor projects and not the capital-intensive urban infrastructural development that Africa needs. Some scholars even hold the view that the potential of Western donor support is per se limited, with regard to the increasing urban infrastructure deficiency in Africa (Chen, 2018; Odoom, 2017).

According to Chen (2018), the growth of Chinese infrastructure finance in Africa came at a time when the international financial institutions had retreated from financing large-scale infrastructure because of environmental and social risks, and the global recession had dented Western countries' capacity for overseas lending as well as the private sector's appetite for infrastructure investment in Africa. It is argued that Chinese infrastructural finance, unlike conventional forms of infrastructural financing, provides the large-scale funding that many African governments continue to search for (Chen, 2018). Scholars have maintained that China does not interfere in the governance affairs of borrowing governments as do Western donors and development partners (Asongu & Aminkeng, 2013; Renard, 2011; Sun, 2014). Consequently, many African governments have welcomed China's new role as a partner and a source of large-scale infrastructure finance (Odoom, 2017). Although a review of the literature demonstrates that the usage of Chinese infrastructural finance, such as the Chinese government concessional loan (CGCL), to (re)develop infrastructure in Africa has been extensively discussed (Bosshard, 2007; Broadman, 2008; Kitano & Harada, 2016; Renard, 2011), the focus of previous research has been on Chinese-funded national projects, particularly in the energy, water, transport and ICT sectors. These studies analyze the nature, processes and conditionalities of CGCL and situate their research within the framework of China-Africa international relations (Brautigam, 2011; Corkin, 2011; Mattlin & Nojonen, 2015; Odoom, 2017).

In this study, we contend that Chinese infrastructural finance has received little attention in urban studies and urban public financing in Africa. Rather, previous studies on municipal financing in Africa have been overly focused on property taxation and, to some extent, municipal bonds and public-private partnership (Akintoye, 2009; Gorelick, 2018; Halimi, 2016; Kuusaana, 2015; Li & Akintoye, 2003; Mabe & Kuusaana, 2016). Therefore, the utilization of Chinese infrastructure finance at the municipal level, and the consequences thereof for urban development, urban governance and other forms of municipal financing, are barely scrutinized. Using Cape Coast's Kotokuraba Market as a case study, the goal of this article is to explore the urban dynamics and local impact of using CGCL to finance urban regeneration. The study also examines the fee-fixing process of Cape Coast and assesses its implications for successful repayment of the CGCL. Based on qualitative empirical research, this study argues that while municipal authorities are subjected to the same types of political and embedded conditionalities as are national projects, the project finance repayment model of municipal projects differs from the resource-backed model of national projects. We will also learn that, in an attempt by Cape Coast to keep market rents affordable for traders, it has become evident that the approved rents of spaces in the Kotokuraba market are woefully inadequate to repay the CGCL. This has enormous implications for future urban development because the Chinese may be discouraged from providing large-scale infrastructural funding for Cape Coast and other municipalities in Ghana and Africa, thus exacerbating the infrastructure challenge in the continent. The rest of the paper is organized as follows. Section 2 conceptualizes Chinese infrastructural finance in Africa. In Section 3, we profile the study area. Section 4 presents the research methods. The findings are presented and discussed in Section 5. Section 6 concludes the study.

Conceptualizing Chinese lending for infrastructural development in Africa

In recent years, there has been a growing body of literature on Chinese involvement in infrastructure finance in Africa (Alves, 2013; Corkin, 2011; Mattlin & Nojonen, 2015; Odoom, 2016). While it is generally agreed that China has a unique approach to infrastructural development in Africa, different voices subscribe to different perspectives (Sun, 2014). On the one hand, the optimists argue that the growth of Chinese lending in Africa is vital for economic and social development in the continent because it targets the provision of critical capital intensive infrastructure that has been neglected by Western development partners and bilateral donors for several decades (Alves, 2013; Asongu &

Aminkeng, 2013; Moss & Rose, 2006; Renard, 2011). On the other hand, the pessimists conceptualize China "as a twenty-first century neo(colonial) power that is plundering Africa's natural resources while corrupt, or at best passive, African leaders fuel the metaphorical dragon" (Odoom, 2016, p. ii). The balanced perspective contends that China's engagement with Africa is shaped by an economic complementarity between manufacturing giant China, endowed with infrastructure construction firms but with little natural resources, and a resource-rich but financially poor Africa, with a huge infrastructural challenge (Alves, 2013; Asongu & Aminkeng, 2013; Odoom, 2016, 2017). The Chinese government concessional loan (CGCL) is one of the funding schemes through which this complementary relationship has been strengthened over the years. The CGCL is a "medium- and long-term, low interest credit … designed to fund manufacturing projects, infrastructure construction projects, social welfare projects in the borrowing country, which can generate promising economic returns or good social benefits" (Corkin, 2011, p. 69). Between 2009 and 2012, China committed to Africa an amount of US$10 billion in concessional loans (Brautigam, 2011). During this period, Ghana was the largest recipient of Chinese infrastructure financing in Africa (Gutman, Sy, & Chattopadhyay, 2015). While a chunk of these funds was directed at national infrastructural projects, the city of Cape Coast was one (if not the only) of the municipal authorities in Ghana that benefited directly from this loan.

It is often argued that Chinese lending does not come with the political, human rights, environmental and performance-based conditions characteristic of Western-originated or partnered agency financing (Moss & Rose, 2006; Tull, 2006). Nevertheless, recent research by Mattlin and Nojonen (2015) has revealed that Chinese lending is not necessarily condition-free but rather comprises conditions that are different in character from those of the Western development agencies. Particularly, they note three conditionalities—political, embedded and repayment—for accessing a CGCL. Firstly, the borrowing country must subscribe to the political condition of the One-China principle, which is a diplomatic acknowledgement that there is only one Chinese government and that Taiwan is part of China and not a sovereign state (Renard, 2011; Sun, 2014). As indicated by Mattlin and Nojonen (2015, p. 707), "for African countries with diplomatic ties with China, [financial support for infrastructural development] has been almost automatic". Secondly, certain project-related demands are embedded in the loan agreement. For instance, only larger infrastructure projects (minimum size of US$2.4 million) that involve considerable use of Chinese goods (at least 50%) and technology, equipment, materials and services (using Chinese construction firms as contractors) may be funded with a CGCL (Brautigam, 2011; Odoom, 2017). This privileged access to infrastructure contracts in concessional loan agreements has fuelled the entry of a large number of Chinese construction firms into Africa and other regions in the Global South (Alves, 2013; Burke, 2007). Recent statistics show that the Chinese construction industry grew at an average of 22% between 2008 and 2013 and is estimated to account for a fifth of the global construction industry by 2020 (Alves, 2013). Lastly, Mattlin and Nojonen (2015) argue that Chinese infrastructure finance is driven more by business considerations than by a purposeful effort to restructure the economy of the recipient countries. Consequently, China has an interest in ensuring repayment of principal and accrued interest on loans, and one way of ensuring this is by backing it with either the proceeds of the recipient country's main export commodity or the resource itself; a practice which has been conceptualized by scholars as infrastructure-for-resource (Chan-Fishel & Lawson, 2007; Odoom, 2017). In other words, China offers the provision of the needed infrastructure in exchange for access to the natural resources it needs to promote its development (Alves, 2013). For instance, the Chinese loans that were advanced for the construction of Ghana's Bui Dam project in 2007 and the Atuabo Gas Pipeline project in 2014 were guaranteed repayment through export sales of cocoa beans and oil respectively to Chinese firms (Brautigam, 2011; Odoom, 2017). Many of such infrastructure-for-resource loans can be found across the continent, especially in Nigeria, Congo, Angola, Sudan and Zambia among others (van Dijk, 2009).

However, Asongu and Aminkeng (2013) have argued that there is little evidence to suggest that Chinese infrastructural finance is directed only at countries with major natural resources. For instance, Chinese investment in infrastructure in Rwanda continues to increase, although this African country, landlocked and with few natural resources, does not fit the conventional narrative of Chinese interest in Africa (Kuo, 2016). Where a recipient country has few natural resources to offer in exchange for infrastructure, evidence from elsewhere (Sri Lanka) suggests that project finance may be an alternative repayment model in Chinese infrastructure finance (Abi-Habib, 2018). Fabozzi and de Nahlik (2012) and Khan and Parra (2003) have defined project finance as financing of a specific infrastructural project in which the lender is satisfied with the cash flows and earnings of that particular project as the source of funds from which a loan is to be repaid. Hence, the specific project serves as collateral for the loan. In other words, project finance involves servicing and redeeming the cost of a project exclusively from its proceeds or cash flow (Finnerty, 2007; Gatti, 2008). It is argued that, in project finance, the borrower must convince the lender that the project is economically viable, implying that it has the ability to generate sufficient cash flows to fund operating costs and service the amount invested (Finnerty, 2007; Gatti, 2008). While the lender may be satisfied that a specific infrastructure is viable, they may also require some direct or indirect guarantees by third parties who are motivated to do so (Fabozzi & de Nahlik, 2012). Where an infrastructural project is economically weak to the extent that it is unable to service operating costs and debt, scholars have cautioned that project finance may be a very risky venture (Finnerty, 2007; Khan & Parra, 2003).

We glean some insights from the adoption of project finance in a Chinese loan secured by Sri Lanka for the development of the deep-sea Hambantota Port. Although feasibility studies indicated that the port was not viable because the proposed location was not in proximity to an industrial hub, the Sri Lankan government went ahead to secure a Chinese loan to finance the project with an agreement to repay the loan from the proceeds of the new port (Abi-Habib, 2018). Upon completion in 2012, the state struggled to repay the loan, as the new port drew few ships. Because, in project finance, the infrastructure serves as collateral for the loan, the lender may take over the infrastructure and any other strategic asset once the borrower defaults the repayment of the loan. Consequently, under intense pressure from China, Sri Lanka was compelled to surrender its new port and 15,000 acres of land to China on a 99-year lease agreement (Abi-Habib, 2018). Crucially, the Sri Lankan case also raises some pertinent questions about the quality of governance in countries that China offers concessional loans for infrastructural development. In Africa particularly, China has been criticized by the West for providing large-scale infrastructural finance to countries with weak or undemocratic governance, who may therefore have difficulties repaying their loans (Asongu & Aminkeng, 2013; Renard, 2011). In the Western conception, these countries have low credit ratings, which is why they face tremendous difficulties securing large-scale funding from the international financial markets and private investors (Sun, 2014). While China certainly cannot be blamed per se for assisting countries with poor governance, the question of taking advantage of this weakness arises. At the least, studies have argued that reaping the full benefits of Chinese infrastructural finance would require significant improvement in governance in African countries (Asongu & Aminkeng, 2013; Renard, 2011).

It must, however, be noted that the existing scientific scrutiny and knowledge of Chinese funding of infrastructural development in Africa and other developing countries has largely focused on national projects (Brautigam, 2009; Corkin, 2011; Odoom, 2017). For the urban realm, a huge desideratum exists: it is hard to come by an empirical study that analyzes a Chinese infrastructural funding or a CGCL secured by central government for the direct use of a municipal authority. Therefore, this paper aims to contribute to the discussion of urban infrastructural financing and Chinese infrastructure finance in Africa by revealing how the city authority in Cape Coast has been drawn into and creatively applied the national infrastructural financing strategy. Moreover, there is little understanding of the urban dynamics and consequences of using the CGCL to finance urban regeneration in Africa. We shed light on the repayment model of Chinese-funded municipal projects and the possible reason(s) for its adoption. Through Chinese infrastructural financing, we are able to understand the implication of municipal borrowing in a country like Ghana which does not have a previous history of municipal borrowing.

Study area

Recent studies have shown that the activities of the Chinese in Ghana are prevalent in its capital, Accra, where they are involved in trade and construction, and in the rural areas, where they participate in gold mining (Amoah, 2014; Hilson, Hilson, & Adu-Darko, 2014; Odoom, 2016). Therefore, these locations have become the conventional sites for research on Chinese activities in Ghana. The selection of Cape Coast—a city where Chinese activities had previously been virtually non-existent—to understand the urban dimension of Chinese infrastructure finance is novel and brings a different perspective to the growing literature on Ghana-China relations. Cape Coast was founded during the 13th to 14th centuries (Hyland, 1995) and thus, has a history of more than 600 years (Agyei-Mensah, 2006). When the Portuguese arrived at the coast of Ghana (then known as the Gold Coast) in 1471, Cape Coast was an important trading center along the coast of West Africa (Agyei-Mensah & Ardayafio-Schandorf, 2007). During the years of its colonization by the British, the city grew to become the first colonial capital of the then crown colony "Gold Coast." Consequently, Cape Coast enjoyed a period of relative economic and social prosperity during the greater part of the colonial period. Nevertheless, it suffered a serious and irreversible decline in importance after the capital was relocated to Accra in 1877, and modern harbours were built in Takoradi and Tema (Agyei-Mensah, 2006; Hyland, 1995). From a capital city in the colonial period, Cape Coast is now arguably a minor secondary city in Ghana. Currently, it occupies an area of 122 square kilometers, and accommodates a population of 169,894 (Ghana Statistical Service, 2013). It doubles as the capital of the Central Region of Ghana, which is considered as the tourism hub of the country and the seat of the Cape Coast Metropolitan Assembly (CCMA) (Adu-Ampong, 2017).

During the early 1940s, the British colonial authorities, with the help of the local people, constructed the new triangular-shaped Kotokuraba market (Figure 1 shows the location of Kotokuraba Market in CCMA). Upon completion, the British handed over ownership and management of the market to the Cape Coast Town Council, as it was then known. According to Nyomi and Armah (2014), the market was built to serve as a place where the colonial rulers and their men could purchase their provisions, but was also an important outlet for the farmers, fishermen and other traders to sell what they had to locals and foreigners. During the early years of its development, the number of stores in the market outnumbered the trader population. By the early 1970s, the scramble for stall allocation led to the spread of trading activities from Kotokuraba Market to an adjoining piece of land, which had lain relatively unused since the market was completed in the colonial period. The adjoining market space, mainly occupied by petty traders, soon became known as Kotoka Market. Transport operators also secured two spaces around the market, one known as the Mankessim Station and the other the Edina Station.

By the 2000s, the trader population in Kotokuraba Market had outgrown the number of stores. Consequently, the markets—Kotokuraba and Kotoka—became congested, with trading activities spilling off onto the streets. There were numerous problems, from sanitation and refuse collection to hygiene standards and food safety (Nyomi & Armah, 2014). When it rained, many of the roofs leaked profusely. Plans to regenerate the market have been in the pipeline since the 1990s, but lack of funds was the greatest recurrent obstacle. It was only in 2012 that the CCMA, with the assistance of central government, was finally able to secure funding through CGCL for the regeneration of the market. Kotokuraba Market is important to the economy of Cape Coast because it employs the majority of the city's active workforce. This is supported by recent statistics from the Ghana Statistical Service (2013) which indicate that the wholesale and retail industry is the largest in Cape Coast, engaging over 25% of the employed population. See Figure 2 for images of the Kotokuraba market before and after construction.

Methods

This study was conducted over two periods: March to May 2017 and March to July 2018. It adopted a qualitative research design. In line with this research design, a case study strategy was particularly

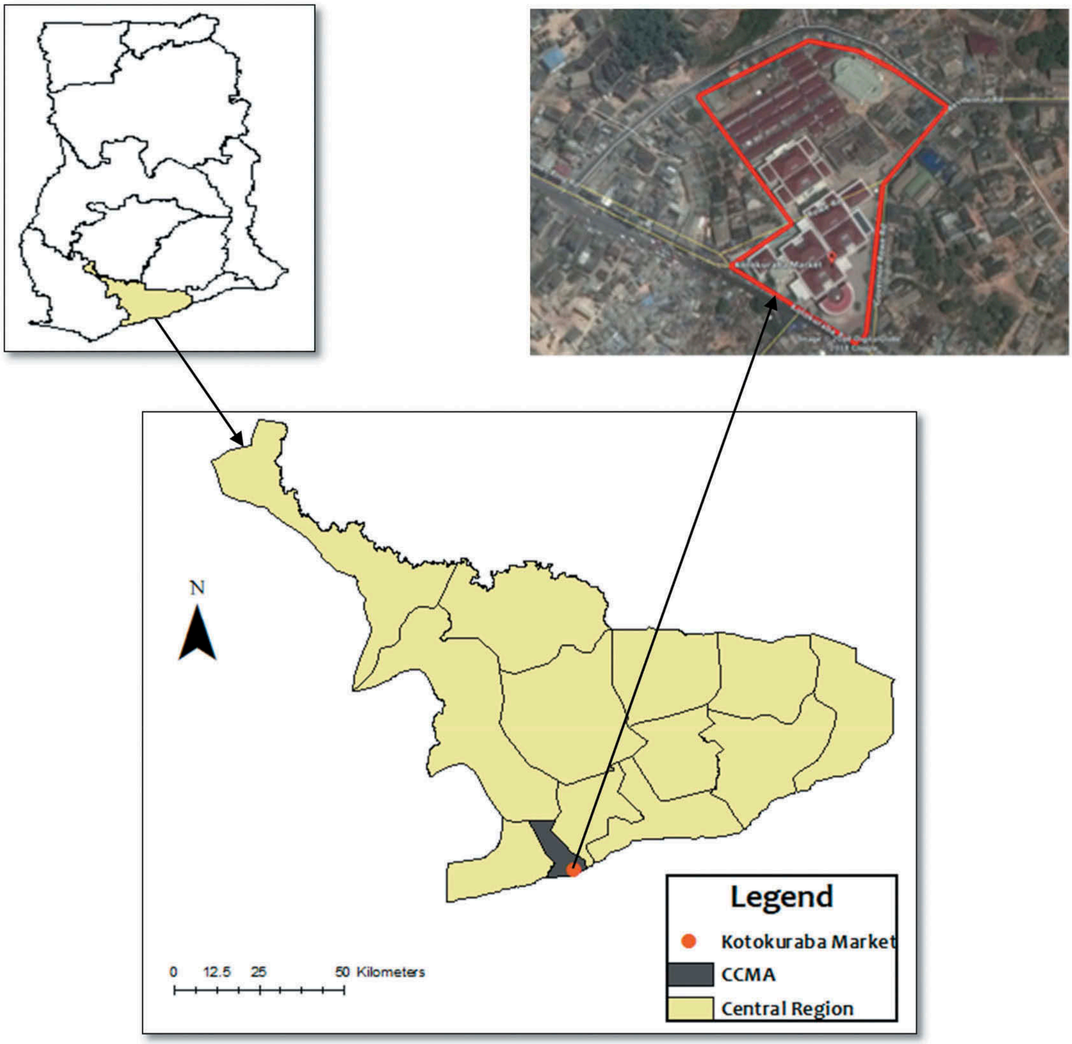

Figure 1. Map of Kotokuraba Market in CCMA.
Source: Authors' Construct and Google Maps, 2018

important in order to gain a detailed understanding of the context of this research. The choice of the Kotokuraba Market project was informed by the fact that CCMA adopted an unconventional financing scheme (in terms of past projects in Cape Coast) to fund the market project. Data was gathered from both primary and secondary sources. For the primary data, purposive and snowball sampling techniques were adopted in selecting the study participants. The purposive sampling technique was used to select five local government bureaucrats, eight local assembly members, and one traditional ruler. Snowball sampling was employed in selecting the 52 traders and 12 market leaders at Kotokuraba Market. In a market of over 1,500 traders, a snowball sampling technique is probably the most powerful tool to recruit potential respondents (see Morris, 2015). At a total of 78 in-depth interviews, data saturation was reached, as additional data provided little or no new insight (Morris, 2015; Saunders, Lewis, & Thornhill, 2009). Approval from gatekeepers (Morris, 2015) such as the Mayor of Cape Coast as well as market queens and leaders in the market was highly helpful in having access to all the respondents for the study.

Kotokuraba Market before regeneration
Photography by Kojo Mbeah

Kotokuraba Market after regeneration
Photography by Lewis Abedi Asante

Figure 2. Images of the Kotokuraba Market before and after the regeneration.

All interviews were audiotaped. While interviews with the officials were conducted in English, the traders and their leaders preferred to be interviewed in Fante, the local Akan dialect in Cape Coast. The researchers transcribed all the interviews. A thematic approach was employed in analyzing the data (Saunders, Lewis, & Thornhill, 2016). We adopted the five-stage process of Morris (2015) in analyzing the transcripts. Stage 1 involved a careful read-through and note-taking. In stage 2, we took note of important or striking quotes. This was followed by coding/finding themes in stage 3. In stage 4, we selected the themes to focus on during the write-up. The last stage involved interpreting and writing up the interview material under the selected themes. In addition to the primary data, secondary data were also gathered from parliamentary Hansard, court rulings, newspaper articles, committee reports and archival materials. This was necessary to ensure both methodological and data source triangulation, and to ensure that validity of data went beyond the simple repetitive action of gathering data (Yin, 2011).

Findings and discussion

Municipal finance and the utilization of Chinese government concessional loan in Cape Coast

Cape Coast, by virtue of decentralization, has been the capital of the Cape Coast Metropolitan Assembly (CCMA) since its creation in the late 1980s. Due to the historic attraction of the city, public and private investments in Cape Coast focused on tourism development at the expense of other economic sectors (Adu-Ampong, 2017; Agyei-Mensah, 2006). Therefore, many years of neglect resulted in poor infrastructure across the urban landscape of Cape Coast. Like many Ghanaian and African cities, Cape Coast struggled to meet its revenue target (see Table 1; Puopiel & Chimsi, 2015) and thus lacked the financial muscle to independently undertake large-scale urban regeneration projects. Cape Coast has been a beneficiary of the District Development Facility (DDF) and Urban Development Grant (UDG) since the inception of the two schemes, but these awards have been for development of small social projects in the metropolis. According to a bureaucrat respondent, “we

Table 1. Estimated IGF performance of Cape Coast Metropolitan Assembly, 2013–2017.

	Amount in (US$)				
	2013	2014	2015	2016	2017
Budgeted	185,790	325,948	374,685	463,417	469,810
Actual	166,590	280,517	345,466	411,420	392,327
Shortfall	19,200	45,431	29,219	51,997	77,483

Source: CCMA, 2018

applied the UDG to redevelop the relatively small Abura market because we felt it was dilapidated … but the UDG is not enough to redevelop a big market like Kotokuraba" (interview, March 15, 2017). Efforts by successive municipal governments in Cape Coast to redevelop the market failed largely due to lack of large-scale infrastructural financing. Consequently, Cape Coast continued to experience a slow pace in infrastructural and economic development, compared to the likes of Accra and Kumasi. In 2010, the city mayor established a private limited liability company—Cape Coast Development Company—to attract external funding and engage in joint venture investments to ensure a holistic development of Cape Coast. One of the target projects of the company was Kotokuraba Market. However, the company, on its own, struggled to attract any significant private sector funding for the redevelopment of the market.

In the lead-up to the 2008 general elections in Ghana, Professor John Evans Atta-Mills, the presidential aspirant on the ticket of the National Democratic Congress and an indigene of Cape Coast promised Cape Coasters, during his campaign tour, that he was going to ensure the redevelopment of Kotokuraba Market if he became the next president of Ghana. In Ghana, it is characteristic of presidential candidates to promise the electorate development of specific infrastructure during election campaigns (Obeng-Odoom, 2010a). Fortunately, this particular promise became a reality, as Professor Atta-Mills won the election and assumed power on January 7, 2009. Immediately, together with his Mayor appointee in Cape Coast, he initiated arrangements to fulfill his promise to the people of Cape Coast. Once the president had engaged a couple of development partners, the Chinese government agreed to provide a concessional loan for the construction of a new Kotokuraba market. The Western development partners may have been unwilling to fund the redevelopment of Kotokuraba Market because they were already involved in budgetary support for urban authorities in Ghana under the DDF and UDG. However, the Chinese stepped in as the lender of last resort to enable Cape Coast provide a large-scale market infrastructure to the benefit of its urban population (Asongu & Aminkeng, 2013; Odoom, 2017).

The Government of Ghana (GoG), represented by the Ministry of Finance, had to be the primary borrower of the loan because, at the time, city authorities in Ghana could only undertake external borrowing of US$426.22,[1] an amount "so low that it can be said that there is virtually no municipal loan in Ghana" (Kuusi, 2009, p. 240). There was also no precedent of any municipal authority using a Chinese government concessional loan (CGCL) to (re)develop infrastructure. In accordance with the procedure for accessing CGCL, the GoG, upon the recommendation of the resident Chinese Economic Counsellor, submitted a formal application to the Exim Bank of China for consideration (Corkin, 2011; Hubbard, 2007). In the application, the GoG requested US$200 million for the redevelopment of a modern Kotokuraba Market complex, constituting five market buildings, Sectors A to E, accommodating stores, stalls, supermarkets and other complementary facilities such as restaurant, clinic, offices, banking hall, bathroom and toilet facilities, underground storage and a car park for traders and shoppers. As is typical in project finance, a feasibility report was submitted to the Chinese for assessment (Fabozzi & de Nahlik, 2012; Khan & Parra, 2003). The report's assessment passed the project as being economically viable. The officials of the Exim Bank of China approved the loan application, but recommended that the GoG be given only US$30 million, instead of the US$200 million requested. This indicates that China does not necessarily provide the full loan amount requested by borrower countries. A local politician, in an interview, commented that

> The Chinese officials did not give any specific reason why they offered us an amount below what we requested. We had to take a decision immediately. Eventually, we accepted the offer … We had to remove Sectors C, D and E as well as the underground storage from the proposed design. (Interview, April 12, 2018)

With only about 15% (US$30 million) of the expected funding approved, CCMA decided to construct only sectors A and B,[2] instead of the original A to E, and a car park. Having accepted the offer, the GoG and the Exim Bank of China, on 18 July 2012, entered a concessional loan agreement for an amount of US$30 million for the financing of Kotokuraba Market on terms and conditions set forth in the credit agreement. As a condition precedent to the release of the first tranche of the concessional loan, the GoG and the direct user of the loan, the CCMA entered into a subsidiary agreement on January 24, 2013, to on-lend the credit facility to the city authority in accordance with the credit agreement. The loan attracts a fixed rate of interest of 2% per annum. According to the subsidiary agreement, CCMA shall repay to the GoG the disbursed principal amount of the credit in semi-annual installments commencing on the first payment date in 2017 and ending on the last date of payment in 2042. CCMA shall for the purpose of the project open and maintain a special account at the Bank of Ghana on terms and conditions satisfactory to the GoG. The CCMA and the GoG shall be signatories to the account. Notably, unlike other Chinese-funded national projects in Ghana and other African countries where the country's main commodity export was used to pay back the loan (Odoom, 2017), in the case of Cape Coast, the loan is to be repaid through project finance, that is, from the proceeds generated from the operation of the new Kotokuraba Market. This is similar to the case of Sri Lanka, where project finance was agreed as the repayment method for a loan taken to develop a harbor (Abi-Habib, 2018). In Africa, the project financing repayment model has not been adequately reported in extant scholarly literature (see Brautigam, 2011; Corkin, 2011; Odoom, 2017) because most studies have analyzed national projects in resource-rich countries. Several reasons may have accounted for the adoption of project financing in Cape Coast. Firstly, by consistently qualifying for the DDF and UDG, Cape Coast proved to be one of the high-performing municipalities in Ghana and therefore had the credibility to repay a loan. Secondly, the Kotokuraba Market project happened at a time when the CCMA (through its creation of the Cape Coast Development Company) and GoG had intensified the drive for public-private partnership and therefore securing private funds through CGCL for urban infrastructural development was in line with this ideology. Lastly, natural resources in most African countries, Ghana inclusive, are constitutionally declared national assets and may be used to guarantee projects of national significance and not municipal projects.

As is characteristic of Chinese infrastructure finance, the Chinese officials insisted on some project-related demands, as previously captured in the works of Mattlin and Nojonen (2015), Brautigam (2011) and Corkin (2011). Of course, Ghana's continued adherence to the political condition of the One-China policy (Tsikata, Fenny, & Aryeetey, 2008) was the reason why the CGCL was approved in the first place. The construction of the new market was undertaken by a Chinese construction firm, China Railway Construction and Engineering Group Limited (Alves, 2013). Furthermore, in order to avert any negative social impact, officials of the Exim Bank of China emphasized that part of the loan should be used to construct temporary markets for the traders. It must be noted that proceeds from these temporary markets counted towards repayment of the loan. The fibre-made building material (see Figure 3) that was used in constructing the temporary markets was shipped from China and assembled in Cape Coast. During the first few months of the relocation, the traders complained that the constructional material had poor insulation qualities which resulted in high temperatures in the market and in the destruction of several perishable and canned items. The bureaucrats and local politicians, however, downplayed these concerns of the traders. In addition, more than 50% of the constructional materials that were used for construction of the new market were imported from China (Mattlin & Nojonen, 2015).

Furthermore, the Exim Bank of China officials also wanted the Chinese construction firm to take up all pre-contract services (that is, the architectural and engineering drawings), because

Figure 3. A section of the temporary markets in Cape Coast.
Photography by Lewis Abedi Asante

projects financed with CGCL are characteristically turnkey (Chaponniere, 2009). However, this led to formidable problems because the CCMA had already signed a contract with Design Associates, a Ghanaian firm, engaging them as the engineering/architectural consultant to undertake both the pre- and post-contract services for the Kotokuraba Market project. Design Associates, from its own resources, had subsequently provided CCMA with designs and a model structure of the new market and reports (feasibility and Environmental Impact Assessment) that were attached to the application for the loan. As a counter to the request by the Chinese, a local politician remarked that

> I kicked against it when I met them [the Exim Bank of China officials] … By that time, Design Associates had done the designs. I had to find a technical way of stopping them. I told them that if you bring your drawings to Ghana, it would not be approved because your architects and engineers are not registered in Ghana. For this reason, we have already commissioned a Ghanaian firm to do that work. So you have to find a way of working with the firm. In a way, I managed to get them off. So the pre-contract services were to be paid out of the US $30 million. (Interview, 12 April 2018)

Although the officials of the Exim Bank of China agreed, they were unhappy that the pre-contract services were to be conducted by a Ghanaian firm. This was clearly evident in their subsequent action. A local politician commented that

> When we came back from China and the project was about to start, the Chinese sent a team to Ghana specifically to inform us that we could not pay the post-contract services with their money … The post-contract services are the normal engineering supervision, quantity surveying and all the services you render after the construction takes off … I briefed the executive committee of CCMA about the new development. I made a suggestion that we will do supervision for free. I am a civil engineer by profession. We had to form a technical team to provide the post-contract services throughout the project. (Interview, 12 April 2008)

By implication, if a Chinese firm could not undertake the pre-contract services, then a CGCL could not be used to pay the same Ghanaian firm to undertake the post-contract services. The Chinese construction firm which was expected to pay Design Associates for the pre-contract services refused to do so. On December 20, 2015, Design Associates sued the GoG, CCMA and the Chinese construction firm in the Cape Coast High Court for delaying payment for the pre-contract services and for failing to involve it in the day-to-day construction of the new market, although its contract with CCMA had not been formally terminated. In their statement of claim, Design Associates sought a total amount of US$10,380,000, about a third of the project cost, for costs incurred for site investigation, feasibility studies, environmental impact assessment, a model structure, professional fees for producing technical drawings, loss of profit and breach of copyright. Although the case is still pending in court, a local politician elucidated:

> The Chinese are not being truthful to Design Associates … Me, when they were negotiating I was in the room. I sat there as an observer. I did not contribute. But I remember they agreed on a figure. Now, the Chinese [contractor] is saying that the drawings were not complete. I asked them [Chinese contractor] if they wrote to Design Associates to inform them about it. They [Chinese contractor] said they did but did not receive a reply so they went ahead to engage the services of another firm. We tried to convince them to pay Design Associates but things did not work out. (Interview, 12 April 2018)

One could question why the Chinese construction firm advanced the claim that the drawings were incomplete, when the same drawings were submitted as part of the application for the loan. Was it merely a strategy to eliminate Design Associates from the scene? Lastly, while the CCMA officials decided to discontinue plans for the car park after the money was reduced, the Exim Bank of China officials insisted that a car park must be part of the project because, in China, a car park fetches more revenue for municipal authorities than do market stores. Consistent with the literature (e.g Brautigam, 2011; Corkin, 2011; Odoom, 2017), the Cape Coast study shows that using CGCL for infrastructure development can be very demanding on recipient countries and municipalities. Therefore, countries that choose to use CGCL to finance urban regeneration may have to brace themselves for a turnkey project, as China is unwilling to let go any major aspects of projects to local firms of the recipient countries, as evident in the Cape Coast study. In the next section, we shed light on how CCMA determined the rents of spaces in the new market in their quest to repay the CGCL.

Determination of rents of market spaces in Kotokuraba Market

As earlier indicated, Cape Coast adopted project finance by accepting to repay its Chinese loan from the proceeds of the market infrastructure for which it secured the funds (Fabozzi & de Nahlik, 2012; Khan & Parra, 2003). Therefore, this section offers an understanding of how the municipality in Cape Coast determined rents of spaces in the new market infrastructure. By April 2017, sectors A, B and C of the Kotokuraba Market project had been completed. There had been a change of government in January 2017 from the National Democratic Congress (NDC) to the New Patriotic Party (NPP). The Cape Coast Metropolitan Assembly (CCMA), under the administration of the NPP, initiated the process of determining the rents of the market spaces. This was particularly necessary because CCMA had signed an agreement to pay back the full amount of the Chinese government concessional loan (CGCL), starting in 2017. The determination of the rents had to go through the fee-fixing processes (see Figure 4) and guidelines of the Ministry of Local Government

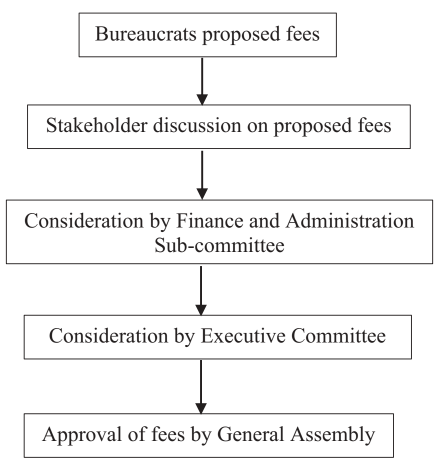

Figure 4. The process of determining fees in MMDAs in Ghana.
Source: Authors' Construct

and Rural Development (MLGRD). According to the most recent guidelines, the basis for determining charges are, among others, the purpose the amount will serve, the capacity of the population to pay, competing rents prevailing in the open market, strategic location of the facility and level of economic activities in the area (MLGRD, 2017).

As seen in Table 2, the fee-fixing processes began with the bureaucrats proposing rents for the various market and other commercial spaces. In accordance with the guidelines of MLGRD, the proposed rents were based on open market rents and the ability of the population to pay. This is reflected in the remarks of one bureaucrat:

> There are some things that … informed the setting of the rents. One of the things we did was to check the rent of stores of traders who sell around the market. They are private properties, which are being rented out to these traders. How much do they pay? Then we had to crosscheck with the rent of stores in Kaneshie Market [in Accra], then we also crosschecked with Asafo Market in Kumasi … We did evaluation of the bits and pieces we picked from other places and in Cape Coast … When we came out with the list [of proposed rents], … we did not think it was realistic, having regard to the amount of the loan … Yet, we thought they were reasonable rates. (Interview, 11 April 2018)

We probed further to find out from the same bureaucrat why the loan was not the main determinant for the fixing of rents. He commented that

> If we had taken it [the loan] into account, it would have been very difficult for anybody to operate in that market. Very difficult! So we … had to put that one [the loan] aside and look at the prevailing circumstances around. That was what we did. If we had determined the rent strictly in accordance with the loan, that [market] facility would become a white elephant here in Cape Coast. (Interview, 11 April 2018)

At this point, one question that came to mind was why there was an emphasis on affordability for a project that was funded with a loan, payable within a certain timeframe. More crucially, we wondered whether the CCMA would be able to repay the loan. We will explore this in the next section.

After the bureaucrats had fixed the proposed rents, they invited all relevant stakeholders to a meeting to deliberate on them. The displaced traders were present at this meeting. They requested a reduction in the proposed rents on the basis that they were too high, considering the low profit they made on their market sales. Indeed, for traders who were used to paying US$2.77 for a lockable store and US$0.64 for a stall in the old market and US$2.56 and US$4.26 for standard and big stores respectively in the temporary markets, the amount presented by the bureaucrats (see Table 2) would obviously seem too high. Nonetheless, the traders were eventually convinced by the bureaucrats to accept the proposed rents. The expectation of the bureaucrats was that these rents would be maintained throughout the next stages of the fee-fixing processes. However, it turned out not to be the case.

Table 2. Kotokuraba Market rents at various stages of the fee-fixing processes of CCMA.

	(Monthly rent in US Dollars)				
	Bureaucrats	F & A* Sub-Committee	Executive Committee	General Assembly	% Reduction
Trading spaces					
Stores (Maxi)	31.97	25.57	25.57	21.31 (150) **	33
Stores (Mini)	21.31	17.05	17.05	14.92 (120)	30
Supermarket	106.56	106.56	106.56	85.24 (2)	20
Mini supermarket	63.93	63.93	63.93	42.62 (28)	33
Stalls	3.02	2.56	2.56	2.56 (490)	20
Other spaces					
Office Accommodation	21.31	21.31	21.31	21.31 (14)	0
Restaurant	319.67	170.49	170.49	170.49 (1)	47
Clinic	127.87	127.87	127.87	127.87 (1)	0
Banking Hall	639.33	639.33	639.33	639.33 (2)	0
Car Parks	852.44	852.44	852.44	852.44 (1)	0
Bath & Toilet Facilities	319.67	319.67	319.67	319.67 (1)	0

Source: CCMA, 2018
*F & A means Finance and Administration
** Figures in brackets show the number of spaces of the corresponding facility

Upon completion of the stakeholder engagements, the bureaucrats forwarded the agreed rents to the Finance & Administration sub-committee (comprised mainly of local politicians) of the CCMA for further consideration. The traders lobbied the sub-committee to get the rents reduced, but were unsuccessful because discussion on the rents had been concluded and passed onto the next stage. As seen in Table 2, the sub-committee made some reductions in the rents of the trading spaces while leaving those of the other commercial spaces unchanged. Like the bureaucrats, the local politicians adopted the bases, open market rents, the level of economic activities in Cape Coast and most importantly the ability of the population to pay, conforming to the guidelines of MLGRD (2017). When the sub-committee finished its work, it forwarded its recommended fees to the Executive Committee of CCMA. The Executive Committee did not alter the recommendations of the Finance and Administration sub-committee, as evident in Table 2. The Executive Committee, after deliberation, submitted it to the General Assembly for final approval. The General Assembly is the final decision-making body on all matters of municipal authorities in Ghana and decides on matters by votes of the majority of Assembly members present and voting. The General Assembly was the final stage for the traders to get a reduction. According to a leader of the traders,

> Because we were not successful in previous attempts, we then decided to forward our request to the general assembly because it is the highest decision-making body in the assembly. So, on the day the General Assembly met, I stood up and I said a lot of things about our low profit margin and the current economic situation … So they realized what I said was reasonable and they reduced the rents for us. (Interview, 2 April 2018)

We see in Table 2 that the General Assembly, led by the mayor, succumbed to the plea of the traders and reduced, further, the rents of the trading spaces. Making rents affordable for the traders was the main reason indicated by a senior local politician who was part of the General Assembly proceedings. Notwithstanding the nature of repayment financing, we observed a conscious effort by the bureaucrats and politicians alike to ensure that the market rents were not exorbitant for the traders. This situation raised some concern because the nature of project finance requires that the cost of infrastructural projects are repaid exclusively from their proceeds (Fabozzi & de Nahlik, 2012; Gatti, 2008). Therefore, it was expected that the rents should have been based on the amount of loan invested in redeveloping Kotokuraba Market and not strictly in accordance with the guidelines of MLGRD. It can be concluded that the officials clearly prioritized the social objective of the project over the market-oriented practice of project finance (Finnerty, 2007; Gatti, 2008). There are at least two possible reasons for this. First, the newly-appointed politicians wanted to avoid the social unrest that might have arisen from the setting of high rents. Second, they used low rents as an economic instrument to win the support of the traders, which is an indication of the short-term political gains that politicians often pursue.

(In)ability to repay the Chinese loan

Based on the foregoing discussion, one critical issue—the ability of Cape Coast Metropolitan Assembly (CCMA) to pay back the Chinese government concession loan (CGCL)—featured strongly in our interviews. When we enquired about the ability or otherwise of CCMA to repay the loan, the bureaucrats were quick to reply that the current approved rents present a very disturbing picture because the rents have been reduced to levels that make repayment within 25 years virtually impossible. By our informal calculations, if CCMA borrowed US$30 million for 25 years at an interest rate of two percent and repayment is on semi-annual basis, then per the ordinary annuity formula,[3] an estimated periodic payment of US$765,306.12 is expected to be made by CCMA every six months for 25 years. Based on our assessment of the approved rents in Table 2, the new market will fetch an estimated monthly revenue of US$10,654.61. This translates into a semi-annual revenue of US$63,927.66, representing a paltry eight percent of the periodic semi-annual payments on the CGCL. From the perspective of project finance, this analysis shows that Kotokuraba Market is unable to generate enough funds to cover operation costs and service the CGCL (Finnerty, 2007;

Gatti, 2008). According to the bureaucrats, the CCMA finds itself in this position because it has excluded them (bureaucrats) from the three final and crucial stages of the fee-fixing processes. They expressed deep frustration by saying that they are unable to take independent professional decisions in the interest of the municipal authority without interference from the local politicians. A previous study by Yeboah and Obeng-Odoom (2010) has shown that bureaucrats in municipal authorities feel powerless working with a group of people whose decisions, they believe, are politically motivated and not based on financial considerations.

However, the local politicians argue that they cannot be blamed for reducing the rents to the levels that reflect the socioeconomic situation in Cape Coast, as required by the guidelines of MLGRD (2017). Rather, the NPP-led administration at the CCMA indicate that if the municipal authority cannot repay the loan within the stipulated period, then questions should be asked about the credibility of the feasibility study that was submitted by the NDC administration to the Exim Bank of China during the loan application. These NPP politicians are convinced that the feasibility study did not carefully consider the location of the market and the potential occupants in determining the economic viability of the project. We observed a deliberate attempt by the NPP administration to put the blame at the doorstep of the previous NDC. While the new administration cannot deny some responsibility for the situation in Cape Coast, it can, perhaps, be concluded that the NDC-led CCMA may have realized the project was not viable but their quest to fulfill a political promise may have pushed them to adjust figures in the feasibility study in order to lay hands on funds for the project.[4] This conclusion is consistent with the case of Sri Lanka, where even though feasibility reports showed the project was not viable, the state still went ahead to secure the loan to implement the project, and eventually struggled to repay it (Abi-Habib, 2018). But of course, in Europe or North America as well, practices of campaign pledging and deficit financing are widespread and often lead subsequently to massive debates on the relationship between partisan politics, political responsibility, and public debt.

Aside the issues of low rents and poor feasibility reports, another major reason why CCMA may not be able to repay the loan is that the proceeds from the temporary markets have been poorly managed. As indicated earlier, the funds used in constructing the temporary markets are part of the loan facility. Therefore, the revenues generated from the temporary markets should have been kept in a separate interest-yielding account. However, it was found that monies generated from the temporary markets were put into the common revenue basket and used to cover recurrent expenditure such as fuel, allowance and per diem for assembly members and bureaucrats. Furthermore, as of July 2018, by which time the new market had been in operation for almost one year, the escrow account, into which the rents collected are to be deposited had not been created. The bureaucrats indicated that the process of creating the account would start "soon." This is a cause for concern because repayments should have started in 2017.

When we probed further to discover what measures CCMA was putting in place to avoid default of CGCL installment payments, there was a general consensus among bureaucrats and politicians alike that the central government should be alerted that it might have to pay the loan on behalf of CCMA. According to one of the local politicians, "in fact, if the central government does not come in, the Chinese would have to come and take over the market" (Interview, 3 April 2018). This indicates that the repayment challenge of Chinese loans is not necessarily a problem only in African countries with weak or undemocratic governance, but also in countries (e.g. Ghana) that are perceived to have a relatively high level of governance on the continent. Notwithstanding the problem at hand, the respondents agreed that developing infrastructure with CGCL is a sustainable approach to development if proper and detailed feasibility study precedes the loan application. However, others were of the opinion that it is unsustainable because in Ghana, it is difficult to charge realistic rates for any project that is labelled "public or government."

Concluding remarks and reflections

This article has explored the urban dynamics and local impact of using Chinese government concessional loans (CGCL) to finance urban regeneration. We have demonstrated that Chinese infrastructural finance is no longer limited to national infrastructural projects across Africa, but is increasingly being extended to municipal authorities to provide large-scale urban infrastructure. As our findings show, irrespective of whether a CGCL is secured for a national or municipal project, it is associated with similar political and embedded conditionalities. First, through infrastructural financing, China is gaining growing support for its politically-motivated One-China policy. Second, the Chinese government is strongly promoting its local firms, technology and services through development assistance to municipal authorities in Africa (Brautigam, 2011; Odoom, 2017). In the case of the Cape Coast loan, this was done by making it a condition of the loan that Chinese construction firms and building materials be employed for the construction of the temporary markets for traders' relocation and subsequently for the new market. If the project finance repayment model of the Cape Coast market project is anything to go by, China cannot be regarded as absolutely scrambling for the natural resources of Africa, but should be seen as an important development partner providing large-scale infrastructure finance for municipal authorities (Sun, 2014). However, we cannot overrate the fact that the bundling together of aid, trade and investment in municipal financing in Africa repatriates a major chunk of the funding to China.

The shift in scale from the national to the local has critical implications. This study has shown that local politicians, bureaucrats and urban development plans have now come under the discussion of CGCL. Deeper involvement of local politicians in the negotiation process will not only change the power dynamics between lender and borrower countries, but also drastically modify the results of the project on the ground. Additionally, one could argue that the social sustainability of urban redevelopment projects increases considerably with the engagement of local bureaucrats and politicians, while the economic sustainability diminishes. We contend that focusing in our research on the urban scale enables a better understanding of the political, social, economic and governance complexities and realities of using Chinese infrastructure finance in Africa. Specifically, the scaling of the CGCL at the urban level implies that the politicians and bureaucrats at the local level—much more so than the national representatives—are confronted with the bigger dilemma of securing large-scale funding to provide infrastructure at low rents. Consequently, although Africa—in our case more specifically Cape Coast, Ghana—gets to redevelop its critical urban infrastructure, Chinese infrastructure finance may come with high financial costs and crucial consequences for municipal (in)dependence.

Furthermore, this paper reveals crucial urban governance issues in Cape Coast, Ghana and Africa. The strong presence of the traders in determining the rents in Kotokuraba Market shows how urban residents are pushing the boundaries of democratization and compelling state actors to respond positively to their activism. It is because local politicians reacted to the sophisticated pressure and activism from the traders in the markets and on the streets that the economic hardship of foreseeable unaffordable rent for the market spaces was avoided. Drawing on the notion of politics of scale, one could argue that this commiseration of the local scale of governance could be strategically used by national and municipal governments in the negotiation of CGCL. As Kevin Cox (1998, p. 20) argues, "if there is some local branch of the state then it may be mobilized in order to protect some local space of dependence." Thus, the future provision of urban infrastructure in Africa, funded by CGCL, could profit immensely if the local scale becomes an integral part of the negotiation system and process. The state has a many branches. And to include urban actors where urban issues are involved helps to more comfortably root urban regeneration projects in local needs.

Through our case study, some negative side effects of the CGCL became apparent. The fact that the Cape Coast city had to base rents of a loan-funded project on guidelines prepared by the central government supports the argument that municipal authorities do not have full control over their finances. This may be the reason private investment in urban infrastructure is limited in Ghana and Africa. The call on central government to repay the CGCL shows that municipal authorities in Africa have not outgrown the dependency syndrome (Kuusaana, 2015). In fact, judging by the extremely low rents paid by traders in most Anglophone West African markets, it is wishful thinking for any municipal government to expect that these traders would be willing and able to pay high enough rents to enable them single-handedly to pay off a time-bound Chinese loan. Perhaps, due to the fact that municipal borrowing in Ghana and many other African countries is still in its infancy, what is required is not just central government assistance to secure large-scale Chinese funding for municipal projects but, more importantly, multilevel governance and strong collaboration between central and municipal governments (Gorelick, 2018; UN-Habitat, 2015). A deliberate politics of scale (Cox, 1998), where the state uses its different branches on the national and local level wisely in a well-orchestrated division of labor could help minimize the negative effects of the CGCL.

It is also important to note that the Cape Coast case has implications for future urban development. If Cape Coast is compelled to repay the loan, it may have to fall on its internally-generated funds, implying that the city will be deprived of even the minor projects that it has been engaged in. The consequences may be even more dire if Cape Coast is unable to repay the loan, as it stands to lose not only Kotokuraba Market to the Chinese but also the opportunity to receive such large-scale infrastructural financing from China. However, it may be in the interest of the Government of Ghana to repay the loan on behalf of Cape Coast in order to attract future Chinese infrastructure finance for Cape Coast and other municipal authorities in Ghana. Interestingly, this also has the tendency to increase the country's national debt stock. Ghana's debt to GDP in 2016 was 73.4% and has seen a slight improvement in 2017 to an estimated 69.2% (World Bank, 2018). Passing on the CGCL to central government to repay might send Ghana back to a debt-to-GDP ratio of at least 70%. How the Cape Coast case concludes is likely to determine whether or not China would be willing to provide additional large-scale infrastructure loans for municipal authorities in Ghana and Africa.

In many developed countries, contracting or sub-contracting aspects of (re)development of urban infrastructure is used to develop the capacity of local firms, who, in the process, gain the experience for international assignments. The non-involvement of Design Associates by the Chinese construction firm in the development of Kotokuraba Market reveals the weakness of African municipal governments in protecting local firms. Nevertheless, it should not be a deterrent to negotiating for the inclusion of local firms in future infrastructural projects, because strong domestic institutions and governance are fundamental to the use of Chinese infrastructural finance for urban projects (Asongu & Aminkeng, 2013; Renard, 2011).

Our case study also highlights the potential challenge of repayment of Chinese infrastructure finance in Africa, which has not yet become a topical issue because most loans are resource-backed. While Chinese infrastructural finance may be vital for sustainable urban development in Africa in the short to medium term, we suggest that municipal authorities should intensify their local revenue generation, in the long term, to fund most of their large-scale urban infrastructure. Increasing local revenues would require extensive exploitation of land resources and an overhaul of the property taxation systems (Asiama, 2006; Boamah & Okrah, 2016; Peterson, 2006). Additionally, municipal authorities must ensure high standards of transparency in revenue generation and expenditure management (Owusu, 2014). If not, the heavy dependence on external borrowings coupled with the prioritization of affordability over economic rates in loan-funded urban projects could plunge African municipalities or countries into excessive debt or, worse still, cause them to lose strategic public assets to lenders. But, as indicated by Obeng-Odoom (2010b), increasing revenue generation at the municipal level does not guarantee that it will be expended judiciously in providing large-scale urban infrastructure that benefits the majority of the local people. Therefore, we agree with Obeng-Odoom (2010b) that pro-poor fiscal decentralization should involve a techno-democratic process in which common people lead the process of determining local needs and play a significant role in deciding how local revenues should be utilized to shape their future.

Notes

1. We adopted a Bank of Ghana Daily Interbank Forex Rate, Friday, July 29, 2018, US$1 = GH¢4.6924. This applies to all subsequent cedi-dollar conversions.
2. Eventually the CCMA was able to construct Sector C from savings made from design modification.
3. This is used to determine the series of payments/deposits that are expected to be made at a future date. The formula is $PP = PV \div \left[\frac{1-(1+r)^{-n}}{r}\right]$, where PP is periodic payment, PV is present value, r is the interest rate and n is the term.
4. This may explain why both the bureaucrats and local politicians at CCMA were unwilling to provide the feasibility report for analysis when it was requested by the researchers.

Acknowledgments

We wish to acknowledge the support of the Government of Ghana and the German Academic Exchange Service (DAAD) for providing the scholarship for Lewis Abedi Asante to pursue his doctoral studies at Humboldt-Universität zu Berlin. We are also grateful to editor Andrew Kirby and the three anonymous reviewers for their insightful comments.

Disclosure statement

No potential conflict of interest was reported by the authors.

Funding

This work was supported by the Government of Ghana and the Deutscher Akademischer Austauschdienst [57251550].

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